

# TECHNICAL MEMORANDUM

## Utah Coal Regulatory Program

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July 13, 2009

TO: Internal File

THRU: April Abate, Lead *(PWA) 7-15-09*

FROM: Priscilla Burton, CPSSc, Environmental Scientist III *PWB km SCS*

RE: Mid-term Review, UtahAmerican Energy, Inc., Centennial Project, C/007/0019,  
Task # 3276

### SUMMARY:

**R645-301-420**, The Division of Air Quality should be notified of the temporary cessation of the Centennial mine.

**R645-301-111.400**, Please provide a response to the information requested in the following email string:

>>> "Shaver, Dave" <[dshaver@coalsource.com](mailto:dshaver@coalsource.com)> Wednesday, May 20, 2009 2:11 PM >>>  
Priscilla....I have forwarded this to Denise Dragoo for her help. She indicated she could have something back later next week.

Dave

-----Original Message-----

From: Priscilla Burton [<mailto:priscillaburton@utah.gov>]

Sent: Wednesday, May 20, 2009 10:31 AM

To: Shaver, Dave

Cc: Linda Keene; Angela Nance; Daron Haddock

Subject: fact check on recent updates to UEI ownership and control.

Dave,

We sent OSM the recently incorporated (Jan 21, 1009) information for the ownership and control of the Murray Energy Holding Co which was provided for the West Ridge Mine. OSM has previous information on file for the same company that was provided with the Lila Canyon mine permit application. A comparison of the previous information with that currently presented has led to a request for verification of the following information:

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*Item 1*

*5th Third Bank of North East Ohio was previously listed as shareholder of Murray Energy Holdings Co. Please provide an end date (with Secretary signature to verify the end date) or if they are still a shareholder, make the correction on the Murray Energy Holdings Co. ownership information in the MRP.*

*Item 2*

*Previously, Robert D. Moore, Scott Boyle, and Michael D. Loiacono were identified as President and CEO of Murray Energy Holdings Co. and their end dates in these positions were confirmed. The January 2009 information re-confirms their end dates, but provides their former titles as CFO for the Murray Energy Holdings Co. If their titles were previously given in error, then a signed statement from the Secretary of the corporation is required to make changes in the OSM database. If their previous titles of President and CEO were correct, then make the correction on the Murray Energy Holdings Co. ownership information in the MRP.*

*Item 3*

*The Murray Trust is listed as a new shareholder of Murray Energy Holdings Co. Please provide the employer identification number (EIN) and address of the Murray Trust along with ownership and control information for the Murray Trust and a begin date for the shareholder position, accompanied by Secretary signature of this information.*

*Item 4*

*Brenda L. Murray is listed in association with the Murray Trust as a shareholder. Is this the same Brenda Murray who previously worked for the American Coal Sales Co. in Pennsylvania? Please provide the last four digits of her social security number, and position for the Murray Trust, along with Secretary signature.*

*To help explain these requests, I've attached the page from your MRP (incorporated January 2009) and the current print out from the Applicant Violator System database for Murray Energy Holdings Co, both of which have been marked to illustrate the points of discrepancy.*

*Lets get this worked out so that the all the UEI mine sites are brought up to date. Please see that the West Ridge Mine, the Crandall Canyon Mine, the Wildcat Loadout, the Centennial Mine, and the Horse Canyon mine information is all correct and up to date. You may want to develop one legal financial binder to hold the common ownership and control information for all these sites. That way, a change in ownership will not trigger so many changes to mine plans and will not require so much time on both our parts.*

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**R645-301-121.300**, To facilitate the Division's permitting load, the Permittee must consolidate legal financial information for this mine with other UEI mines into one legal financial volume.

**R645-301-413.300**, A post mining land use change to the MRP, along with the minimal reclamation required for such a land use change, followed by a bond release application for wells currently being utilized by OSO Energy is requested such that the well sites utilized by OSO would be permitted by the Division's Oil & Gas program.

**R645-301-244.100 and R645-301-352**, For the purpose of soil stabilization Phase 1 (contemporaneous reclamation) of topsoil replacement must be completed this season, as described at all sites where gas is still being vented and final reclamation must occur as described at all sites where venting of the gob gas is complete (see App. X, Sec. 242.100, pg. 2-10).

**TECHNICAL ANALYSIS:**

**GENERAL CONTENTS**

**IDENTIFICATION OF INTERESTS**

Regulatory Reference: 30 CFR 773.22; 30 CFR 778.13; R645-301-112

**Analysis:**

Section 112 of the MRP describes Andalex Resources, Inc. as a Delaware corporation which is a wholly owned subsidiary of UtahAmerican Energy Inc. (UEI), which in turn is a wholly owned subsidiary of Murray Energy Corp and which is owned 100% by Murray Energy Holdings. Andalex Resources Inc. and AMCA Coal Leasing, Inc own the Centennial Mine permit area leases. Figure 1 of Appendix 1 Part 1 clarifies the ownership family tree for Murray Energy Holdings. This information should also be updated with **Murray Energy Holding Co. officers and directors that was received on Jan 21, 2009 during the West Ridge Mine renewal**. In addition, below is an email string that resulted from the updated information that was provided for the West Ridge permit renewal and also pertains to the corporate ownership of the Centennial Mine. I am not aware of any response to that email.

All employer ID numbers are on Figure 1. Company officers and addresses are listed in the Sections of Appendix 1, Part 1. UEI assumed ownership of Andalex Resources, Inc. in the late summer 2006. Dave Shaver is the Resident Agent. [04042008]

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App 1, Part 2 Current and Previous Coal Mining Permits lists five Utah mining companies and 14 others across the nation, with fifty-three different permits listed. [04042008]

As stated in Volume 1, Section 112.700, page 14, The U.S. Department of Labor, Mine Safety and Health Administration has issued three identification numbers relative to the Centennial Project; these are:

1. MSHA No. 42-01474 for the Pinnacle Mine,
2. MSHA No. 42-01750 for the Apex Mine, and
3. MSHA No. 42-02028 for the Aberdeen Mine.

[04192007]

There is no record in the AVS database of Andalex Resources Inc (entity 112234) or UtahAmerican Energy, Inc (entity 146487) holding a permit for the Centennial Mine C/007/019. This is a problem that we need to solve with OSM, that we do not need to involve the Permittee. We will resolve this issue during the AVS training on July 15.

**Findings:**

**R645-301-111.400**, Please provide a response to the information requested in the following email string:

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**R645-301-121.300**, To facilitate the Division's permitting load, the Permittee must consolidate legal financial information for this mine with other UEI mines into one legal financial volume.

## **VIOLATION INFORMATION**

Regulatory Reference: 30 CFR 773.15(b); 30 CFR 773.23; 30 CFR 778.14; R645-300-132; R645-301-113

### **Analysis:**

Appendix 1 Part 3 of the MRP provides a listing of violation information that is current as of February 2008. [04042008]

### **Findings:**

The information provided meets the requirements of the Regulations.

## **RIGHT OF ENTRY**

Regulatory Reference: 30 CFR 778.15; R645-301-114

### **Analysis:**

Appendix J provides lease documents. Appendix R provides surface owner consent for severed surface and mineral estates.

R645-301-114 provides a detailed description of each lease and a succinct permit area legal description. Section R645-301-111 describes the total lease acreage by ownership type, but Figure 1-2 illustrates the permit area and provides the most succinct itemization of the permit area by ownership as follows:

1,080.00	fee coal
1.5	private easement
5,435.88	federal coal
11.45	<u>Bureau of Land Management (BLM) surface R.O.W.</u>
6,528.83	TOTAL Permit Area Acres [03272008]

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According to information provided under R645-301-114, Andalex Resources, Inc., in a sublease agreement with AMCA Coal Leasing, Inc., currently holds all of the private and federal coal leases in the permit area. The acreage of each lease is described in Section R645-301-114. Appendix J of the MRP contains approvals of lease agreements that provide right of entry to the permit area shown on Figure 1-2 and Plate 4 Centennial Project Leases. [03272008]

The surface disturbed area shown on Plate 5 is located in T 13 S, R 11 E Section 18 and T 13 S, R 12 E, Section 7 on surface owned by Zion Securities Corp, the United States, administered by the Bureau of Land Management and by David Cave (Sections R645-301-111 page 1-3 and 112 and Plates 1 & 2). The 1.5 acres owned by David Cave are described in Item 14) of Section R645-301-114. Names and addresses of each surface and subsurface owner of property contiguous to the permit area is shown on Plates 2 and 3. [03272008]

The degasification wells are described in Appendix X of the MRP. The wells are located in T 12 S R 11 E Section 31 and in T 13 S, R 10 E Section 1 and in T 12 S, R 10 E Section 36 along the lengths of longwall panels #6, #7, and #8. Figure 1-1 of Appendix X indicates surface ownership of the well sites. Mineral rights (gas) are held by the surface owners. [04192007] On October 8, 2008, the location of OSO Energy's four permitted well sites in T 12 S, R 11 E, Sec. 31 was removed from the disturbed area, as shown on Figure 1-2A.

Surface landowner agreements in Appendix X-4-2 confirm landowner notification and agreement to surface drilling of the gob vent holes.

**Findings:**

The Permittee has met the Right of Entry requirements of the regulations.

## **ENVIRONMENTAL RESOURCE INFORMATION**

Regulatory Reference: Pub. L 95-87 Sections 507(b), 508(a), and 516(b); 30 CFR 783., et. al.

## **OPERATION PLAN**

## **AIR POLLUTION CONTROL PLAN**

Regulatory Reference: 30 CFR 784.26, 817.95; R645-301-244, -301-420.

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**Analysis:**

Appendix 1 Part 4 contains the 1996 Air Quality Approval Order (AO) DAQE-997-96 and subsequent communication with the Utah Division of Air Quality on November 18, 2003, describing a decrease in emissions from the site.

The Gob Vent Amendment X describes watering of the access roads (see Chapter 4, page 4-3, section 424, Fugitive Dust Control Plan, reviewed as Task ID #2161). The application of water will be of sufficient frequency and quantity to maintain the surface material in a damp/moist condition unless the weather is below freezing.

The Division of Air Quality was notified in 2003 following the closure of the Apex Mine (see Appendix 1, Part 3 Air Quality Approval Order) and perhaps should be notified of the temporary cessation of the Centennial mine.

**Findings:**

**R645-301-420**, The Division of Air Quality should be notified of the temporary cessation of the Centennial mine.

**POSTMINING LAND USES**

Regulatory Reference: 30 CFR Sec. 784.15, 784.200, 785.16, 817.133; R645-301-412, -301-413, -301-414, -302-270, -302-271, -302-272, -302-273, -302-274, -302-275.

**Analysis:**

Approval for a reduction of permit area for a gas well and pipeline operated by a third party (OSO Energy) was approved October 9, 2008 (see task 3049). The area removed from the permit is illustrated on Figure 1-2A and described in Appendix Z. OSO holds four well permits in T12S R11E, Sec 31 in the location that was removed from the Centennial MRP. According to Mark Jones, Division O&G inspector, OSO has not applied for a permit for any of the methane degas wells that were drilled by the Centennial Mine. The Division is not monitoring production volumes from these sites.

The Permittee was advised to provide the Division with a post-mining land use change application such that the well sites utilized by OSO would be permitted by the Division's Oil & Gas program.

**Findings:**

**R645-301-413.300**, A post mining land use change to the MRP, along with the minimal reclamation required for such a land use change, followed by a bond release application for wells currently being utilized by OSO Energy is requested such that the well sites utilized by OSO would be permitted by the Division's Oil & Gas program.

**CONTEMPORANEOUS RECLAMATION**

Regulatory Reference: 30 CFR Sec. 785.18, 817.100; R645-301-352, -301-553, -302-280, -302-281, -302-282, -302-283, -302-284.

**Analysis:**

We observed the following well sites to be utilized and/or impacted by OSO: GVH sites 3, 4, 7, 7A, 8, 8A, 9, 11, 12, 13. The following developed well sites are no longer producing gas and have proven to be no value to OSO: GVH 1, 5, 5A, and 6.

The following pad sites were developed, but no wells were been drilled before the mine went into cessation: GVH 12, 13, 14, 15, 16, 17. Pads 11, 12, and 13 were constructed in 2007. Well site 11 intercepts the works that were developed in panel 10 just prior to mine closure.

**Findings:**

**R645-301-244.100 and R645-301-352**, For the purpose of soil stabilization Phase 1 (contemporaneous reclamation) of topsoil replacement must be completed this season, as described at all sites where gas is still being vented and final reclamation must occur as described at all sites where venting of the gob gas is complete (see App. X, Sec. 242.100, pg. 2-10).

**RECOMMENDATIONS:**

Permitting issues need resolution prior to permit renewal. Contemporaneous reclamation of the GVH well sites should begin this season.